

EMMET COUNTY
INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2012

EMMET COUNTY

TABLE OF CONTENTS

	<u>Page</u>
Officials	1
Independent Auditors' Report	2 - 3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	4
Statement of Activities	5
Governmental Fund Financial Statements:	
Balance Sheet	6
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	7
Statement of Revenues, Expenditures and Changes in Fund Balances	8
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	9
Proprietary Fund Financial Statements:	
Statement of Net Assets	10
Statement of Revenues, Expenses and Changes in Fund Net Assets	11
Statement of Cash Flows	12
Fiduciary Fund Financial Statement:	
Statement of Fiduciary Assets and Liabilities - Agency Funds	13
Notes to Financial Statements	14 - 28
Required Supplementary Information:	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) - All Governmental Funds	29 - 30
Budgetary Comparison Schedule - Budget to GAAP Reconciliation	31
Notes to Required Supplementary Information - Budgetary Reporting	32
Schedule of Funding Progress for the Retiree Health Plan	33
	<u>Schedule</u>
Supplementary Information:	
Nonmajor Governmental Funds:	
Combining Balance Sheet	1 34 - 35
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2 36 - 37
Agency Funds:	
Combining Schedule of Fiduciary Assets and Liabilities	3 38 - 40
Combining Schedule of Changes in Fiduciary Assets and Liabilities	4 41 - 43
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	5 44 - 45
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	46 - 47
Schedule of Findings	48 - 50

EMMET COUNTY

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jon Martyr	Board of Supervisors	January 2015
Ron Smith	Board of Supervisors	January 2015
Beverly Juhl	Board of Supervisors	January 2013
Alan Madden	Board of Supervisors	January 2013
Tim Schumacher	Board of Supervisors	January 2013
Michele Erickson	County Auditor	January 2013
Vickie Jurrens	County Treasurer	January 2015
Sue Snyder	County Recorder	January 2015
Mike Martens	County Sheriff	January 2013
Doug Hansen	County Attorney	January 2015
Barb Bohm	County Assessor	January 2015

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Spencer, Iowa 51301-0175
Phone 712-262-3117
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INDEPENDENT AUDITORS' REPORT

To the Officials of Emmet County:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Emmet County, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Emmet County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Emmet County at June 30, 2012 and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2012 on our consideration of Emmet County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 29 through 33 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting

for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The County has not presented management's discussion and analysis which introduces the basic financial statements by presenting certain financial information as well as management's analytical insights on that information that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Emmet County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the nine years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Wintner, Stave & Co., LLP

December 7, 2012

EMMET COUNTY
STATEMENT OF NET ASSETS
JUNE 30, 2012

	Governmental Activities
ASSETS	
Cash and pooled investments	\$ 3,992,398
Receivables:	
Property tax:	
Succeeding year	4,499,106
Accounts	15,633
Accrued interest	1,866
Due from other governments	244,991
Inventories	332,794
Prepaid insurance	55,420
Capital assets - net of accumulated depreciation	<u>11,956,545</u>
TOTAL ASSETS	<u>21,098,753</u>
LIABILITIES	
Accounts payable	166,087
Salaries and benefits payable	22,041
Due to other governments	336,432
Deferred revenue:	
Succeeding year property tax	4,499,106
Long-term liabilities:	
Portion due or payable within one year:	
General obligation notes	25,279
Compensated absences	246,615
Portion due or payable after one year:	
General obligation notes	333,657
Net OPEB liability	<u>31,533</u>
TOTAL LIABILITIES	<u>5,660,750</u>
NET ASSETS	
Invested in capital assets - net of related debt	11,597,609
Restricted for:	
Supplemental levy purposes	195,769
Mental health purposes	316,884
Secondary roads purposes	1,574,343
Other purposes	564,161
Unrestricted	<u>1,189,237</u>
TOTAL NET ASSETS	<u>\$15,438,003</u>

EMMET COUNTY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
	Expenses				
FUNCTIONS/PROGRAMS:					
Governmental activities:					
Public safety and legal services	\$1,559,005				\$ (1,559,005)
Physical health and social services	614,496				(614,496)
Mental health	1,763,322				(1,763,322)
County environment and education	703,211				(703,211)
Roads and transportation	2,865,684		\$1,539,958	\$ 498,961	(826,765)
Governmental services to residents	385,916				(385,916)
Administration	<u>855,947</u>	<u>\$319,165</u>			<u>(536,782)</u>
TOTAL	<u>\$8,747,581</u>	<u>\$319,165</u>	<u>\$1,539,958</u>	<u>\$ 498,961</u>	<u>\$ (6,389,497)</u>
GENERAL REVENUES:					
Property and other county tax levied for:					
General purposes					4,422,683
Interest and penalty on property tax					25,613
State tax credits					117,831
Grants and contributions not restricted to specific purposes					1,892,982
Unrestricted investment earnings					19,389
Miscellaneous					<u>247,292</u>
TOTAL GENERAL REVENUES					<u>6,725,790</u>
Change in net assets					336,293
Net assets - beginning of year					<u>15,101,710</u>
NET ASSETS - END OF YEAR					<u>\$15,438,003</u>

EMMET COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

ASSETS

		Special Revenue				
	General	Mental Health	Rural Services	Secondary Roads	Nonmajor	Total
Cash and pooled investments	\$ 974,596	\$ 654,818	\$ 514,267	\$1,301,417	\$546,444	\$3,991,542
Receivables:						
Property tax:						
Succeeding year	2,689,620	808,493	1,000,993			4,499,106
Accounts	8,809			6,708	116	15,633
Accrued interest	1,847				19	1,866
Due from other governments	54,617	16,698	24,755	123,586	25,335	244,991
Inventories				332,794		332,794
Prepaid insurance	<u>30,099</u>			<u>25,321</u>		<u>55,420</u>
 TOTAL ASSETS	 <u>\$3,759,588</u>	 <u>\$1,480,009</u>	 <u>\$1,540,015</u>	 <u>\$1,789,826</u>	 <u>\$571,914</u>	 <u>\$9,141,352</u>

LIABILITIES AND FUND BALANCES

LIABILITIES:						
Accounts payable	\$ 32,989	\$ 18,200	\$ 1,475	\$ 105,670	\$ 7,753	\$ 166,087
Salaries and benefits payable	8,534			13,507		22,041
Due to other governments		336,432				336,432
Deferred revenue:						
Succeeding year property tax	<u>2,689,620</u>	<u>808,493</u>	<u>1,000,993</u>			<u>4,499,106</u>
TOTAL LIABILITIES	<u>2,731,143</u>	<u>1,163,125</u>	<u>1,002,468</u>	<u>119,177</u>	<u>7,753</u>	<u>5,023,666</u>
FUND BALANCES:						
Nonspendable:						
Inventories				332,794		332,794
Prepaid insurance	30,099			25,321		55,420
Restricted for:						
Supplemental levy purposes	165,670					165,670
Mental health purposes		316,884				316,884
Rural services purposes			517,547			517,547
Secondary roads purposes				1,312,534		1,312,534
Drainage districts					21,882	21,882
Conservation land acquisition/ capital improvements					44,862	44,862
Other purposes					497,417	497,417
Assigned for emergencies	20,000		20,000			40,000
Unassigned	<u>812,676</u>					<u>812,676</u>
TOTAL FUND BALANCES	<u>1,028,445</u>	<u>316,884</u>	<u>537,547</u>	<u>1,670,649</u>	<u>564,161</u>	<u>4,117,686</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u>\$3,759,588</u>	 <u>\$1,480,009</u>	 <u>\$1,540,015</u>	 <u>\$1,789,826</u>	 <u>\$571,914</u>	 <u>\$9,141,352</u>

EMMET COUNTY
RECONCILIATION OF THE BALANCE SHEET -
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
JUNE 30, 2012

Total governmental fund balances (page 6)	\$ 4,117,686
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Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$20,164,767 and the accumulated depreciation is \$8,208,222.	11,956,545
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The Internal Service Fund is used by management to charge the costs of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets.	856
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Long-term liabilities, including capital lease purchase agreements, loans and contracts payable, compensated absences payable, and other post-employment benefits payable are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(637,084)</u>
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NET ASSETS OF GOVERNMENTAL ACTIVITIES (page 4)	<u>\$15,438,003</u>
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EMMET COUNTY,
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

		Special Revenue				
	General	Mental Health	Rural Services	Secondary Roads	Nonmajor	Total
REVENUES:						
Property and other county tax	\$2,532,055	\$ 779,659	\$1,111,969			\$4,423,683
Interest and penalty on property tax	25,613					25,613
Intergovernmental	615,834	1,021,339	44,205	\$1,689,228	\$180,165	3,550,771
Licenses and permits	6,950			3,125		10,075
Charges for service	313,077				2,188	315,265
Use of money and property	23,125				123	23,248
Miscellaneous	89,879	48,192		113,888	274,679	526,638
TOTAL REVENUES	<u>3,606,533</u>	<u>1,849,190</u>	<u>1,156,174</u>	<u>1,806,241</u>	<u>457,155</u>	<u>8,875,293</u>
EXPENDITURES:						
Operating:						
Public safety and legal services	1,339,109		182,600			1,521,709
Physical health and social services	613,856					613,856
Mental health		1,762,215				1,762,215
County environment and education	303,613		45,882		326,406	675,901
Roads and transportation				2,630,293		2,630,293
Governmental services to residents	382,231				3,067	385,298
Administration	816,074		1,067	183	78,024	895,348
Capital projects				4,139	18,418	22,557
TOTAL EXPENDITURES	<u>3,454,883</u>	<u>1,762,215</u>	<u>229,549</u>	<u>2,634,615</u>	<u>425,915</u>	<u>8,507,177</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>151,650</u>	<u>86,975</u>	<u>926,625</u>	<u>(828,374)</u>	<u>31,240</u>	<u>368,116</u>
OTHER FINANCING SOURCES (USES):						
Operating transfers in (out)	(3,400)		(840,066)	840,066	3,400	
TOTAL OTHER FINANCING SOURCES (USES)	<u>(3,400)</u>		<u>(840,066)</u>	<u>840,066</u>	<u>3,400</u>	
NET CHANGE IN FUND BALANCES	148,250	86,975	86,559	11,692	34,640	368,116
FUND BALANCES - BEGINNING OF YEAR	<u>880,195</u>	<u>229,909</u>	<u>450,988</u>	<u>1,658,957</u>	<u>529,521</u>	<u>3,749,570</u>
FUND BALANCES - END OF YEAR	<u>\$1,028,445</u>	<u>\$ 316,884</u>	<u>\$ 537,547</u>	<u>\$1,670,649</u>	<u>\$564,161</u>	<u>\$4,117,686</u>

EMMET COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012

Net change in fund balances - total governmental funds (page 8) \$368,116

*Amounts reported for governmental activities in the Statement of Activities
are different because:*

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Capital outlay expenditures and contributed capital assets exceeded depreciation expense in the current year as follows:

Expenditures for capital assets	\$384,918	
Capital assets contributed by the Iowa Department of Transportation	498,961	
Loss on disposition of capital assets	(11,018)	
Depreciation expense	<u>(652,868)</u>	<u>219,993</u>

Because some revenues will not be collected for several months after the County's year-end, they are not considered available revenues and are deferred in the governmental funds as follows:

Property tax	<u>(1,000)</u>
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Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. For the current year, debt issued exceeded debt repayments as follows:

Issued	(309,319)	
Repaid	<u>88,563</u>	<u>(220,756)</u>

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, as follows:

Compensated absences	(14,622)	
Other post-employment benefits	<u>(10,511)</u>	<u>(25,133)</u>

The Internal Service Fund is used by management to charge the costs of employee health benefits to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities.

(4,927)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES (page 5)

\$336,293

EMMET COUNTY
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2012

Internal Service

Health Insurance

ASSETS

Cash and pooled investments	\$ <u>856</u>
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NET ASSETS - UNRESTRICTED	<u>\$ 856</u>
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EMMET COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2012

	<u>Internal Service</u>
	<u>Health Insurance</u>
OPERATING REVENUES:	
Reimbursements from operating funds	\$558,480
Reimbursements from employees and others	<u>221,244</u>
TOTAL OPERATING REVENUES	<u>779,724</u>
OPERATING EXPENSES:	
Insurance premiums and fees	<u>784,692</u>
TOTAL OPERATING EXPENSES	<u>784,692</u>
OPERATING INCOME (LOSS)	<u>(4,968)</u>
NONOPERATING REVENUES:	
Interest income	<u>41</u>
CHANGE IN NET ASSETS	<u>(4,927)</u>
NET ASSETS - BEGINNING OF YEAR	<u>5,783</u>
NET ASSETS - END OF YEAR	<u>\$ 856</u>

EMMET COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2012

	<u>Internal Service</u>
	<u>Health Insurance</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from operating fund reimbursements	\$558,480
Cash received from employees and others	221,244
Cash payments for premiums, fees, and other	<u>(784,692)</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>(4,968)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest	<u>41</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>41</u>
NET CHANGE IN CASH	(4,927)
CASH AT BEGINNING OF YEAR	<u>5,783</u>
CASH AT END OF YEAR	<u>\$ 856</u>
RECONCILIATIONS OF OPERATING INCOME (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES:	
Operating income (loss)	\$ (4,968)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:	
None	<u> </u>
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (4,968)</u>

EMMET COUNTY
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2012

ASSETS

Cash and pooled investments:	
County Treasurer	\$ 791,916
Other County officials	27,763
Accounts receivable	17,263
Accrued interest	31
Property tax receivable:	
Succeeding year	<u>11,059,315</u>
 TOTAL ASSETS	 <u>11,896,288</u>

LIABILITIES

Due to other governments	11,877,078
Trusts payable	<u>19,210</u>
 TOTAL LIABILITIES	 <u>11,896,288</u>

NET ASSETS	<u>\$</u>
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EMMET COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Emmet County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance and general administrative services.

The County's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board.

Reporting Entity

For financial reporting purposes, Emmet County has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens, on the County.

These financial statements present Emmet County (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Blended Component Units - The following component units are entities which are legally separate from the County but are so intertwined with the County they are, in substance, the same as the County. They are reported as part of the County and blended into the appropriate funds.

One hundred sixty-five drainage districts have been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Although these districts are legally separate from the County, they are controlled, managed and supervised by the Emmet County Board of Supervisors. The drainage districts are reported as a Special Revenue Fund. Financial information of the individual drainage districts can be obtained from the Emmet County Auditor's office.

EMMET COUNTY
NOTES TO FINANCIAL STATEMENTS - Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Jointly Governed Organizations - The County also participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Emmet County Assessor's Conference Board, Emmet County Emergency Management Commission, Emmet County Joint E911 Service Board, and Emmet County Empowerment Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the County and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

The Statement of Net Assets presents the County's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants, contributions, and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental funds, a proprietary fund, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

EMMET COUNTY
NOTES TO FINANCIAL STATEMENTS - Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Basis of Presentation - Continued

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges, and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Mental Health Fund is used to account for property tax and other revenues to be used to fund mental health, mental retardation, and developmental disabilities services.

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the county outside of incorporated city areas.

The Secondary Roads Fund is used to account for the road use tax allocations from the State of Iowa, required transfers from the General and the Special Revenue, Rural Services Funds, and other revenues to be used for secondary road construction and maintenance.

Additionally, the County reports the following funds:

Proprietary Fund - An Internal Service Fund is utilized to account for the financing of services purchased by one department of the County and provided to other departments or agencies on a cost-reimbursement basis.

Fiduciary Funds - Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds.

Measurement Focus and Basis of Accounting

The government-wide, proprietary fund, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current year. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

EMMET COUNTY
NOTES TO FINANCIAL STATEMENTS - Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Measurement Focus and Basis of Accounting - Continued

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

When an expenditures is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the County's policy is to pay the expenditure from restricted fund balance and then from less-restrictive classifications - committed, assigned, and then unassigned fund balances.

The proprietary fund of the County applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's Internal Service Fund are reimbursements from operating funds and employees. Operating expenses for the internal service fund include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash and Pooled Investments - The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investment in the Iowa Public Agency Investment Trust is valued at amortized cost. Non-negotiable certificates of deposits are stated at cost.

EMMET COUNTY
NOTES TO FINANCIAL STATEMENTS - Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Assets, Liabilities and Fund Equity - Continued

For purposes of the statement of cash flows, the County considers as cash all currency on hand and demand deposits and certificates of deposit with banks or other financial institutions.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the County Board of Supervisors. Delinquent property taxes receivable representing unpaid taxes for the current and prior years are not considered material to the financial statements. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments, is based on January 1, 2010 assessed property valuations, is for the tax accrual period July 1, 2011 through June 30, 2012, and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2011.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method. Inventories in the Special Revenue Funds consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Notes and Contracts Receivable - Long-term receivables of governmental funds are reported on their respective balance sheets. To the extent these receivables are considered "available spendable resources," they are recognized in the current period. Recognition of governmental fund revenue represented by noncurrent receivables is deferred until they become current receivables.

Capital Assets - Capital assets, which include property, equipment and vehicles, and infrastructure assets acquired after July 1, 2003 (e.g. roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the government), are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not

EMMET COUNTY
NOTES TO FINANCIAL STATEMENTS - Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Assets, Liabilities and Fund Equity - Continued

add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Infrastructure	\$ 65,000
Land, buildings, and improvements	25,000
Equipment and vehicles	5,000

Capital assets of the County are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful lives (In Years)</u>
Buildings and improvements	25 - 50
Infrastructure	10 - 60
Equipment	3 - 20
Vehicles	5 - 15

Due to Other Governments - Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable - Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of property tax receivable and other receivables not collected within sixty days after year-end.

Deferred revenue in the Statement of Net Assets includes succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - County employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide, proprietary fund, and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2012. The compensated absences liability attributable to the governmental activities will be paid primarily by the General and Secondary Roads Funds.

EMMET COUNTY
NOTES TO FINANCIAL STATEMENTS - Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Assets, Liabilities and Fund Equity - Continued

County employees accumulate a limited amount of earned but unused sick leave. The employee does not receive any pay for unused sick leave upon termination of employment with the County. Since the amount of sick leave to be used is undeterminable, no liability has been accrued.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Assets. In the government fund financial statements, the face amount of debt issued is reported as other financing sources.

Fund Equity - In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable - Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws, or are imposed by law through constitutional provisions or enabling legislation.

Committed - Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the Board of Supervisors through ordinance or resolution approved prior to year end. Committed amounts cannot be used for any other purpose unless the Board of Supervisors removes or changes the specified use by taking the same action it employed to commit those amounts.

Assigned - Amounts the Board of Supervisors intend to use for specific purposes.

Unassigned - All amounts not included in other classifications.

Net Assets - The net assets of the Internal Service, Health Insurance Fund are designated for anticipated future catastrophic losses of the County.

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

Subsequent Events

The County has evaluated subsequent events through the date of the auditors' report, which is the date the financial statements were available to be issued.

2. CASH AND POOLED INVESTMENTS

The County's deposits in banks at June 30, 2012 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

EMMET COUNTY
NOTES TO FINANCIAL STATEMENTS - Continued

2. CASH AND POOLED INVESTMENTS - Continued

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The County had investments in the Iowa Public Agency Investment Trust (IPAIT) which are valued at an amortized cost of \$3,520 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in IPAIT is unrated.

Interest Rate Risk - The County's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the County.

Concentration of Credit Risk - The County places a five percent limit on the amount that may be invested in any one issuer of prime bankers acceptances, commercial paper, or other short-term corporate debt.

3. INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue:	Special Revenue:	
Secondary Roads	Rural Services	\$840,066
Conservation Land Acquisition Trust	General	3,400

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

EMMET COUNTY
NOTES TO FINANCIAL STATEMENTS - Continued

4. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2012 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 156,869			\$ 156,869
Total capital assets not being depreciated	<u>156,869</u>			<u>156,869</u>
Capital assets being depreciated:				
Buildings	2,805,140			2,805,140
Machinery and equipment	5,829,417	\$ 272,310	\$ (64,985)	6,036,742
Infrastructure, road network	9,658,167	611,569		10,269,736
Other	896,280			896,280
Total capital assets being depreciated	<u>19,189,004</u>	<u>883,879</u>	<u>(64,985)</u>	<u>20,007,898</u>
Less accumulated depreciation for:				
Buildings	1,546,217	72,703		1,618,920
Machinery and equipment	4,855,162	320,407	(53,967)	5,121,602
Infrastructure, road network	621,091	242,728		863,819
Other	586,851	17,030		603,881
Total accumulated depreciation	<u>7,609,321</u>	<u>652,868</u>	<u>(53,967)</u>	<u>8,208,222</u>
Total capital assets being depreciated - net	<u>11,579,683</u>	<u>231,011</u>	<u>(11,018)</u>	<u>11,799,676</u>
Governmental activities capital assets - net	<u>\$11,736,552</u>	<u>\$ 231,011</u>	<u>\$ (11,018)</u>	<u>\$11,956,545</u>

Depreciation expense was charged to functions of the primary government as follows:

Governmental activities:	
Public safety and legal services	\$ 62,891
Mental health	895
County environment and education	36,310
Roads and transportation	474,804
Administration	<u>77,968</u>
Total depreciation expense - governmental activities	<u>\$ 652,868</u>

EMMET COUNTY
NOTES TO FINANCIAL STATEMENTS - Continued

5. DUE TO OTHER GOVERNMENTS

The County purchases services from other governmental units and also acts as a fee and tax collection agency for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due other governments is as follows:

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
Special Revenue:		
Mental Health	Services	\$ 336,432
TOTAL FOR GOVERNMENTAL FUNDS		<u>\$ 336,432</u>
Agency:		
Agricultural Extension Education	Collections	\$ 129,542
County Assessor	Collections	343,199
Schools	Collections	7,266,140
Community Colleges	Collections	369,475
Corporations	Collections	3,012,935
Townships and Fire Districts	Collections	185,710
Auto License and Use Tax	Collections	257,533
E-911 Surcharge	Collections	234,246
All others	Collections	<u>78,298</u>
TOTAL FOR AGENCY FUNDS		<u>\$11,877,078</u>

6. LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2012 is as follows:

	<u>Loans and Contract Payable</u>	<u>Capital Lease Purchase Agreements</u>	<u>Compensated Absences</u>	<u>Total</u>
Balance - beginning of year	\$105,813	\$ 32,367	\$231,993	\$370,173
Increases	309,319		14,622	323,941
Decreases	<u>(56,196)</u>	<u>(32,367)</u>	<u> </u>	<u>(88,563)</u>
Balance - end of year	<u>\$358,936</u>	<u>\$ </u>	<u>\$246,615</u>	<u>\$605,551</u>
Due within one year	<u>\$ 25,279</u>	<u>\$ </u>	<u>\$246,615</u>	<u>\$271,894</u>

EMMET COUNTY
NOTES TO FINANCIAL STATEMENTS - Continued

6. LONG-TERM LIABILITIES - Continued

Capital Lease Purchase Agreements

Payments under capital lease purchase agreements for the year ended June 30, 2012 totaled \$32,367 with no remaining amounts due.

Loans and Contract Payable

The County has a non-interest bearing contract for \$90,592 for the purchase of gravel and mineral rights. Required annual payments are \$9,000 per year through 2013, with a final payment of \$9,592 in 2014. The outstanding contract balance at June 30, 2012 was \$18,592.

The County has a second non-interest bearing contract for \$325,599 for the purchase of gravel and mineral rights. Required annual payments are \$16,280 per year through August 2029. The outstanding contract balance at June 30, 2012 was \$293,039.

The Emmet County Conservation Board has a \$500,000 line of credit with a local financial institution for the construction of a nature center. The interest rate is variable (5.25% at June 30, 2012), payable annually, and there are no required principal payments. The line of credit matures in July 2012 and has been guaranteed by the County Board of Supervisors. The outstanding loan balance at June 30, 2012 was \$47,305.

The line of credit was paid off in July 2012 when a new loan was opened with the same financial institution. The interest rate is variable at 1% over the prime rate with a floor of 4.25%. The loan calls for annual interest only payments for five years, with principal payoff due by the end of the fifth year, July 2017.

Maturities required as of June 30, 2012 are as follows:

2013	\$ 25,279
2014	25,872
2015	16,280
2016	16,280
2017	63,585
2018-2022	81,400
2023-2027	81,400
2028-2032	<u>48,840</u>
Total	<u>\$358,936</u>

EMMET COUNTY
NOTES TO FINANCIAL STATEMENTS - Continued

7. PENSION AND RETIREMENT BENEFITS

The County contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa 50306-9117.

Most regular plan members are required to contribute 5.38% of their annual covered salary and the County is required to contribute 8.07% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2012, 2011, and 2010 were \$259,824, \$225,890, and \$218,879, respectively, equal to the required contributions for each year.

8. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Plan Description

The County operates a single-employer health benefit plan which provides medical/prescription drug benefits for all full-time active and retired employees and their eligible dependents. There are 78 active members and 8 retired members in the plan. Eligible retirees receive health care coverage through the same plan that is available to active employees. Eligible retirees must be age 55 or older at retirement. Benefits terminate upon attaining Medicare eligibility.

Contributions are required for both retiree and dependent coverage. The retiree contributions are based on and equal to the historical full cost of active members. Retiree expenses are then offset by retiree contributions.

The medical/prescription drug coverage is provided through a fully insured plan. Retirees pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy

The contribution requirements of plan members are established and may be amended by the County. The County currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation

The County's annual OPEB cost is calculated based on the annual required contribution (ARC) of the County, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

EMMET COUNTY
NOTES TO FINANCIAL STATEMENTS - Continued

8. OTHER POST-EMPLOYMENT BENEFITS (OPEB) - Continued

Annual OPEB Cost and Net OPEB Obligation - Continued

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 26,410
Interest on net OPEB obligation	
Adjustment to annual required contribution	
Annual OPEB cost	26,410
Net contributions received from retirees	<u>(15,899)</u>
Increase in net OPEB obligation	10,511
Net OPEB obligation beginning of year	<u>21,022</u>
 Net OPEB obligation - end of year	 <u><u>\$ 31,533</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2012.

For the year ended June 30, 2012, plan members eligible for benefits contributed \$15,899 or 100% of the premium costs.

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2010	\$26,410	60%	\$10,511
June 30, 2011	\$26,410	60%	\$10,511
June 30, 2012	\$26,410	60%	\$10,511

Funded Status and Funding Progress

As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$256,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$256,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,975,000 and the ratio of the UAAL to covered payroll was 8.61%. As of June 30, 2012, there were no trust fund assets.

EMMET COUNTY
NOTES TO FINANCIAL STATEMENTS - Continued

8. OTHER POST-EMPLOYMENT BENEFITS (OPEB) - Continued

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4% discount rate based on the County's funding policy. The projected annual medical trend rate ranges from 5 - 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Combined Mortality Table. Annual retirement and termination probabilities were developed by the County with the concurrence of the actuary. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

9. OPERATING LEASES

The County has entered into a noncancelable agreement to lease office space. The lease requires monthly lease payments of \$1,691 and expires in September 2013. The County has also entered into operating lease agreements for office equipment. The leases require monthly lease payments ranging from \$92 to \$234 and expire from January 2013 to December 2017.

EMMET COUNTY
NOTES TO FINANCIAL STATEMENTS - Continued

9. OPERATING LEASES - Continued

The following is a schedule of the future minimum lease payments under these agreements at June 30, 2012:

<u>June 30,</u>	<u>Amount</u>
2013	\$ 31,251
2014	13,769
2015	8,696
2016	6,866
2017	<u>738</u>
 TOTAL	 <u>\$ 61,320</u>

Total rent expense for the year ended June 30, 2012 was \$35,149.

10. RISK MANAGEMENT

Emmet County is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

11. COMMITMENTS

The County has entered into a contract totaling approximately \$890,000 for bridge replacement. As of June 30, 2012, approximately \$180,000 of costs have been incurred. The balance remaining on the contract of approximately \$710,000 will be paid as work on the project progresses.

The County has entered into a five-year contract for ambulance service at a cost of \$23,500 per year. The contract ends with the June 30, 2014 fiscal year.

The County has entered into a five-year commitment for E-911 upgrades at a cost of \$32,500 per year. The contract ends with the June 30, 2013 fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

EMMET COUNTY
BUDGETARY COMPARISON SCHEDULE OF
RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCES -
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2012

	<u>Actual</u>	Less Funds not Required to be <u>Budgeted</u>
RECEIPTS:		
Property and other county tax	\$4,565,980	
Interest and penalty on property tax	25,634	
Intergovernmental	3,554,832	
Licenses and permits	14,505	
Charges for service	316,179	
Use of money and property	21,986	
Miscellaneous	526,499	\$259,181
TOTAL RECEIPTS	<u>9,025,615</u>	<u>259,181</u>
DISBURSEMENTS:		
Public safety and legal services	1,528,139	
Physical health and social services	614,441	
Mental health	1,615,207	
County environment and education	677,544	322,724
Roads and transportation	2,659,148	
Governmental services to residents	385,874	
Administration	887,662	
Non program		
Capital projects	23,948	
TOTAL DISBURSEMENTS	<u>8,391,963</u>	<u>322,724</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	633,652	(63,543)
OTHER FINANCING SOURCES - NET	_____	_____
EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES OVER DISBURSEMENTS AND OTHER FINANCING USES	633,652	(63,543)
BALANCE - BEGINNING OF YEAR	<u>3,357,890</u>	<u>85,425</u>
BALANCE - END OF YEAR	<u>\$3,991,542</u>	<u>\$ 21,882</u>

<u>Net</u>	<u>Budgeted Amounts</u>		Final to Net Variance - Positive (Negative)
	<u>Original</u>	<u>Final</u>	
\$4,565,980	\$4,576,597	\$4,576,597	\$ (10,617)
25,634	15,800	15,800	9,834
3,554,832	3,030,080	3,031,818	523,014
14,505	11,200	11,200	3,305
316,179	294,297	294,297	21,882
21,986	62,193	62,193	(41,207)
<u>267,318</u>	<u>124,111</u>	<u>124,111</u>	<u>143,207</u>
<u>8,766,434</u>	<u>8,114,278</u>	<u>8,116,016</u>	<u>650,418</u>
1,528,139	1,608,203	1,611,803	83,644
614,441	705,528	705,528	91,087
1,615,207	1,728,427	1,799,183	183,976
354,820	452,261	464,636	109,816
2,659,148	3,044,829	3,044,829	385,681
385,874	406,618	408,455	22,581
887,662	1,044,619	1,044,619	156,957
	130,000	130,000	130,000
<u>23,948</u>	<u>48,764</u>	<u>48,764</u>	<u>24,816</u>
<u>8,069,239</u>	<u>9,169,249</u>	<u>9,257,817</u>	<u>1,188,578</u>
697,195	(1,054,971)	(1,141,801)	1,838,996
<u> </u>	<u>1,200</u>	<u>1,200</u>	<u>(1,200)</u>
697,195	(1,053,771)	(1,140,601)	<u>\$1,837,796</u>
<u>3,272,465</u>	<u>2,104,409</u>	<u>2,104,409</u>	
<u>\$3,969,660</u>	<u>\$1,050,638</u>	<u>\$ 963,808</u>	

EMMET COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET TO GAAP RECONCILIATION
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2012

	Governmental Funds		
	<u>Cash Basis</u>	<u>Accrual Adjustments</u>	<u>Modified Accrual Basis</u>
Revenues	\$9,025,615	\$ (150,322)	\$8,875,293
Expenditures	<u>8,391,963</u>	<u>115,214</u>	<u>8,507,177</u>
Net	633,652	(265,536)	368,116
Beginning fund balances	<u>3,357,890</u>	<u>391,680</u>	<u>3,749,570</u>
ENDING FUND BALANCE	<u>\$3,991,542</u>	<u>\$ 126,144</u>	<u>\$4,117,686</u>

EMMET COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
JUNE 30, 2012

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds, except blended component units and agency funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, and Capital Projects Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, a budget amendment increased budgeted disbursements by \$88,568. The budget amendment is reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E911 System by the Joint E911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

EMMET COUNTY
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
(In Thousands)

Required Supplementary Information

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
July 1, 2009	-	\$256	\$256	0.00%	\$2,946	8.69%
July 1, 2010	-	\$256	\$256	0.00%	\$2,953	8.67%
July 1, 2011	-	\$256	\$256	0.00%	\$2,975	8.61%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status, and funding progress.

SUPPLEMENTARY INFORMATION

EMMET COUNTY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012

ASSETS

	<u>Resource Enhancement and Protection</u>	<u>Recorder's Records Management</u>	<u>Revolving Loan</u>
Cash and pooled investments	\$ 62,577	\$ 13,894	\$127,728
Receivables:			
Accounts			
Accrued interest	10	3	
Due from other governments	<u> </u>	<u>580</u>	<u> </u>
 TOTAL ASSETS	 <u>\$ 62,587</u>	 <u>\$ 14,477</u>	 <u>\$127,728</u>

LIABILITIES AND FUND BALANCES

LIABILITIES:			
Accounts payable	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u> </u>	<u> </u>	<u> </u>
FUND BALANCES:			
Restricted	<u>\$ 62,587</u>	<u>\$ 14,477</u>	<u>\$127,728</u>
TOTAL FUND BALANCES	<u>62,587</u>	<u>14,477</u>	<u>127,728</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u>\$ 62,587</u>	 <u>\$ 14,477</u>	 <u>\$127,728</u>

Schedule 1

<u>Special Revenue</u>		<u>Capital Projects</u>	
<u>Local</u>	<u>Drainage</u>	<u>Conservation</u>	
<u>Option</u>	<u>Districts</u>	<u>Land</u>	
<u>Sales Tax</u>		<u>Acquisition</u>	<u>Total</u>
<u>Trust</u>			
\$275,623	\$ 21,882	\$ 44,740	\$546,444
		116	116
		6	19
<u>24,755</u>	<u> </u>	<u> </u>	<u>25,335</u>
<u>\$300,378</u>	<u>\$ 21,882</u>	<u>\$ 44,862</u>	<u>\$571,914</u>
<u>\$ 7,753</u>	<u> </u>	<u> </u>	<u>\$ 7,753</u>
<u>7,753</u>	<u> </u>	<u> </u>	<u>7,753</u>
<u>292,625</u>	<u>\$ 21,882</u>	<u>\$ 44,862</u>	<u>564,161</u>
<u>292,625</u>	<u>21,882</u>	<u>44,862</u>	<u>564,161</u>
<u>\$300,378</u>	<u>\$ 21,882</u>	<u>\$ 44,862</u>	<u>\$571,914</u>

EMMET COUNTY
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

	<u>Resource Enhancement and Protection</u>	<u>Recorder's Records Management</u>	<u>Revolving Loan</u>
REVENUES:			
Intergovernmental	\$ 10,168		
Charges for service		\$ 2,188	
Use of money and property	65	18	
Miscellaneous			\$ 1,000
TOTAL REVENUES	<u>10,233</u>	<u>2,206</u>	<u>1,000</u>
EXPENDITURES:			
Operating:			
County environment and education	3,682		
Government services to residents		3,067	
Administration			
Capital projects			
TOTAL EXPENDITURES	<u>3,682</u>	<u>3,067</u>	<u></u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>6,551</u>	<u>(861)</u>	<u>1,000</u>
OTHER FINANCING SOURCES:			
Operating transfers in			
TOTAL OTHER FINANCING SOURCES	<u></u>	<u></u>	<u></u>
NET CHANGE IN FUND BALANCE	6,551	(861)	1,000
FUND BALANCES - BEGINNING OF YEAR	<u>56,036</u>	<u>15,338</u>	<u>126,728</u>
FUND BALANCES - END OF YEAR	<u>\$ 62,587</u>	<u>\$ 14,477</u>	<u>\$127,728</u>

Schedule 2

<u>Special Revenue</u>		<u>Capital Projects</u>	
		Conservation	
Local		Land	
Option	Drainage	Acquisition	
<u>Sales Tax</u>	<u>Districts</u>	<u>Trust</u>	<u>Total</u>
\$169,997			\$180,165
			2,188
		\$ 40	123
	<u>\$259,181</u>	<u>14,498</u>	<u>274,679</u>
<u>169,997</u>	<u>259,181</u>	<u>14,538</u>	<u>457,155</u>
	322,724		326,406
			3,067
78,024			78,024
		<u>18,418</u>	<u>18,418</u>
<u>78,024</u>	<u>322,724</u>	<u>18,418</u>	<u>425,915</u>
<u>91,973</u>	<u>(63,543)</u>	<u>(3,880)</u>	<u>31,240</u>
		<u>3,400</u>	<u>3,400</u>
		<u>3,400</u>	<u>3,400</u>
91,973	(63,543)	(480)	34,640
<u>200,652</u>	<u>85,425</u>	<u>45,342</u>	<u>529,521</u>
<u>\$292,625</u>	<u>\$ 21,882</u>	<u>\$ 44,862</u>	<u>\$564,161</u>

EMMET COUNTY
COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2012

	<u>County Offices</u>	<u>Agricultural Extension Education</u>	<u>County Assessor</u>
ASSETS			
Cash and pooled investments:			
County Treasurer		\$ 1,507	\$124,972
Other County officials	\$ 27,763		
Accounts receivable			
Accrued interest			
Property tax receivable:			
Succeeding year	<u> </u>	<u>128,035</u>	<u>218,227</u>
 TOTAL ASSETS	 <u>\$ 27,763</u>	 <u>\$129,542</u>	 <u>\$343,199</u>
 LIABILITIES			
Due to other governments	\$ 8,553	\$129,542	\$343,199
Trusts payable	<u>19,210</u>	<u> </u>	<u> </u>
 TOTAL LIABILITIES	 <u>\$ 27,763</u>	 <u>\$129,542</u>	 <u>\$343,199</u>

Agency Funds					
<u>Schools</u>	<u>Community Colleges</u>	<u>Corporations</u>	<u>Townships and Fire Districts</u>	<u>Auto License and Use Tax</u>	<u>E-911 Surcharge</u>
\$ 87,409	\$ 4,376	\$ 28,421	\$ 2,570	\$257,533	\$216,952
					17,263 31
<u>7,178,731</u>	<u>365,099</u>	<u>2,984,514</u>	<u>183,140</u>	<u> </u>	<u> </u>
<u>\$7,266,140</u>	<u>\$369,475</u>	<u>\$3,012,935</u>	<u>\$185,710</u>	<u>\$257,533</u>	<u>\$234,246</u>
<u>\$7,266,140</u>	<u>\$369,475</u>	<u>\$3,012,935</u>	<u>\$185,710</u>	<u>\$257,533</u>	<u>\$234,246</u>
<u>\$7,266,140</u>	<u>\$369,475</u>	<u>\$3,012,935</u>	<u>\$185,710</u>	<u>\$257,533</u>	<u>\$234,246</u>

EMMET COUNTY Schedule 3
 COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES - Continued
 AGENCY FUNDS
 JUNE 30, 2012

	<u>Agency Funds</u>		
	<u>Empowerment Fund</u>	<u>Other</u>	<u>Total</u>
ASSETS			
Cash and pooled investments:			
County Treasurer	\$ 2	\$ 68,174	\$ 791,916
Other County officials			27,763
Accounts receivable			17,263
Accrued interest			31
Property tax receivable:			
Succeeding year	<u> </u>	<u>1,569</u>	<u>11,059,315</u>
 TOTAL ASSETS	 <u>\$ 2</u>	 <u>\$ 69,743</u>	 <u>\$11,896,288</u>
 LIABILITIES			
Due to other governments	\$ 2	\$ 69,743	\$11,877,078
Trusts payable	<u> </u>	<u> </u>	<u>19,210</u>
 TOTAL LIABILITIES	 <u>\$ 2</u>	 <u>\$ 69,743</u>	 <u>\$11,896,288</u>

EMMET COUNTY
COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
YEAR ENDED JUNE 30, 2012

	<u>County Offices</u>	<u>Agricultural Extension Education</u>	<u>County Assessor</u>
BALANCE - BEGINNING OF YEAR	<u>\$ 29,530</u>	<u>\$123,280</u>	<u>\$377,256</u>
ADDITIONS:			
Property and other County tax		124,566	209,517
911 surcharge			
State tax credits		5,597	14,053
Office fees and collections	307,985		704
Auto licenses, use tax, and postage			
Trusts	164,110		
Miscellaneous			
TOTAL ADDITIONS	<u>472,095</u>	<u>130,163</u>	<u>224,274</u>
DEDUCTIONS:			
Agency Remittances:			
To other funds	127,301		
To other governments	183,485	123,901	258,331
Trusts paid out	163,076		
Miscellaneous			
TOTAL DEDUCTIONS	<u>473,862</u>	<u>123,901</u>	<u>258,331</u>
BALANCE - END OF YEAR	<u>\$ 27,763</u>	<u>\$129,542</u>	<u>\$343,199</u>

Agency Funds					
<u>Schools</u>	<u>Community Colleges</u>	<u>Corporations</u>	<u>Townships and Fire Districts</u>	<u>Auto License and Use Tax</u>	<u>E-911 Surcharge</u>
<u>\$7,217,651</u>	<u>\$357,827</u>	<u>\$2,954,564</u>	<u>\$183,540</u>	<u>\$ 221,769</u>	<u>\$204,875</u>
6,974,036	355,026	2,897,325	178,145		150,044
328,489	16,252	134,412	8,453	2,922,063	
<u>7,302,525</u>	<u>371,278</u>	<u>3,031,737</u>	<u>186,598</u>	<u>2,922,063</u>	<u>150,044</u>
7,254,036	359,630	2,973,366	184,428	104,958 2,781,341	120,673
<u>7,254,036</u>	<u>359,630</u>	<u>2,973,366</u>	<u>184,428</u>	<u>2,886,299</u>	<u>120,673</u>
<u>\$7,266,140</u>	<u>\$369,475</u>	<u>\$3,012,935</u>	<u>\$185,710</u>	<u>\$ 257,533</u>	<u>\$234,246</u>

EMMET COUNTY Schedule 4
 COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -
 Continued
 AGENCY FUNDS
 YEAR ENDED JUNE 30, 2012

	<u>Agency Funds</u>		
	<u>Empowerment Fund</u>	<u>Other</u>	<u>Total</u>
BALANCE - BEGINNING OF YEAR	<u>\$ 16,986</u>	<u>\$ 53,427</u>	<u>\$11,740,705</u>
ADDITIONS:			
Property and other County tax		97,117	10,835,732
911 surcharge			150,044
State tax credits		35,656	542,912
Office fees and collections		61,859	370,548
Auto licenses, use tax, and postage			2,922,063
Trusts			164,110
Miscellaneous	<u>182</u>	<u>27,544</u>	<u>27,726</u>
TOTAL ADDITIONS	<u>182</u>	<u>222,176</u>	<u>15,013,135</u>
DEDUCTIONS:			
Agency Remittances:			
To other funds			232,259
To other governments		205,860	14,445,051
Trusts paid out			163,076
Miscellaneous	<u>17,166</u>		<u>17,166</u>
TOTAL DEDUCTIONS	<u>17,166</u>	<u>205,860</u>	<u>14,857,552</u>
BALANCE - END OF YEAR	<u>\$ 2</u>	<u>\$ 69,743</u>	<u>\$11,896,288</u>

EMMET COUNTY
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUNDS
FOR THE LAST TEN YEARS

	Modified Accrual Basis			
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
REVENUES:				
Property and other County tax	\$4,423,683	\$4,279,484	\$3,897,024	\$3,679,884
Interest and penalty on property tax	25,613	32,648	32,217	25,894
Intergovernmental	3,550,771	3,441,158	3,095,959	3,259,908
Licenses and permits	10,075	13,650	10,150	9,192
Charges for service	315,265	302,258	281,190	308,701
Use of money and property	23,248	29,277	48,544	75,500
Miscellaneous	<u>526,638</u>	<u>903,241</u>	<u>352,697</u>	<u>242,751</u>
 TOTAL	 <u>\$8,875,293</u>	 <u>\$9,001,716</u>	 <u>\$7,717,781</u>	 <u>\$7,601,830</u>
EXPENDITURES:				
Operating:				
Public safety and legal services	\$1,521,709	\$1,489,245	\$1,445,010	\$1,383,851
Physical health and social services ..	613,856	626,036	665,466	636,458
Mental health	1,762,215	1,532,469	1,440,049	1,489,962
County environment and education .	675,901	974,509	497,003	475,048
Roads and transportation	2,630,293	2,655,551	2,158,249	2,535,537
Governmental services to residents .	385,298	361,274	361,461	362,959
Administration	895,348	940,067	808,468	850,528
Nonprogram				
Debt service				
Capital projects	<u>22,557</u>	<u>41,714</u>	<u>34,986</u>	<u>69,980</u>
 TOTAL	 <u>\$8,507,177</u>	 <u>\$8,620,865</u>	 <u>\$7,410,692</u>	 <u>\$7,804,323</u>

Schedule 5

<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
\$3,517,727	\$3,476,195	\$3,236,692	\$3,021,031	\$3,388,885	\$3,100,488
25,731	26,047	23,407	35,119	26,088	22,569
2,960,182	3,148,746	2,941,424	2,834,531	2,828,622	2,851,652
23,820	5,576	2,550	1,324	4,275	2,140
285,189	280,508	295,572	277,507	297,913	267,246
163,614	198,360	181,621	75,657	54,623	135,383
<u>359,884</u>	<u>830,317</u>	<u>308,149</u>	<u>331,994</u>	<u>195,987</u>	<u>160,080</u>
<u>\$7,336,147</u>	<u>\$7,965,749</u>	<u>\$6,989,415</u>	<u>\$6,577,163</u>	<u>\$6,796,393</u>	<u>\$6,539,558</u>
\$1,355,444	\$1,277,329	\$1,151,903	\$1,101,629	\$1,100,948	\$1,049,707
596,304	562,101	551,087	528,634	560,765	535,644
1,592,167	1,677,114	1,626,628	1,421,809	1,369,753	1,396,576
700,867	621,669	390,450	295,005	328,496	344,091
2,119,781	2,051,865	2,173,602	1,976,853	1,791,530	2,228,787
345,869	331,946	437,783	307,658	271,780	216,468
895,731	787,935	745,244	743,178	727,274	835,205
	24,095				
		17,500	27,367	27,367	105,350
<u>416,104</u>	<u>32,812</u>	<u>455,687</u>	<u>226,264</u>	<u>156,606</u>	<u>344,522</u>
<u>\$8,022,267</u>	<u>\$7,366,866</u>	<u>\$7,549,884</u>	<u>\$6,628,397</u>	<u>\$6,334,519</u>	<u>\$7,056,350</u>

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

To the Officials of Emmet County:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Emmet County, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements listed in the table of contents and have issued our report thereon dated December 7, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The management of Emmet County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Emmet County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Emmet County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Emmet County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance all deficiencies, significant deficiencies or material weakness have been identified. However, as described in the accompanying Schedule of Findings, we identified a certain deficiency in internal control over financial reporting we consider to be a material weakness and another deficiency we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings as item I-A-12 to be a material weakness.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-B-12 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Emmet County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The County's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the County's responses, we did not audit the County's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of Emmet County and other parties to whom Emmet County may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Emmet County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Wintner, Stave & Co., LLP

December 7, 2012

EMMET COUNTY
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012

Part I: Findings Related to the Financial Statements

Internal Control Deficiencies:

- I-A-12 Segregation of Duties - One significant aspect of internal accounting control is the adequate segregation of duties among employees in order to minimize an individual employee or official from handling duties which are incompatible. The segregation of duties helps to prevent losses from unintentional employee errors or dishonesty and improves the reliability and accuracy of the County's financial statements. We noted that in each of the offices of County officials there were several accounting functions that were being performed by the same person.

Recommendation - We recognize that with a limited number of office employees segregation of duties is difficult. However, accounting controls may be improved by having certain procedures performed by only one person for a given period of time and then rotating the responsibilities for a control function sometime during the year. In some instances, the County official should consider delegating certain responsibilities to deputies and provide the main supervision and review function themselves. In all instances where it is not possible to segregate duties, it is important to increase the review of that work by supervisory personnel.

Response - We will continue to segregate duties the best we can with the limited number of personnel we have.

Conclusion - Response accepted.

- I-B-12 Sheriff's Office Accounts - During our audit, we noted the Sheriff's office maintains separate financial institution accounts for drug investigations, DARE, canine, and posse. These accounts are maintained and controlled by the Sheriff but have minimal activity. In addition, the activity in these accounts is not reported to or approved by the Board of Supervisors.

Recommendation - We recommend these four accounts be closed and remitted to the County Treasurer to maintain on behalf of the Sheriff's Office.

Response - We will discuss with the County Sheriff closing these accounts and remitting the funds to the County Treasurer. If not done, we will ask that activity in these accounts be reported to the Board of Supervisors for approval.

Conclusion - Response accepted.

Instances of Non-compliance:

No matters were noted.

EMMET COUNTY
SCHEDULE OF FINDINGS - Continued
FOR THE YEAR ENDED JUNE 30, 2012

Part II: Other Findings Related to Required Statutory Reporting

II-A-12 Certified Budget - Disbursements for the year ended June 30, 2012 did not exceed the amounts budgeted.

II-B-12 Questionable Expenditures - No expenditures that we believe may not meet the requirement of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

II-C-12 Travel Expense - No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

II-D-12 Business Transactions - Business transactions between the County and County officials or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Description</u>	<u>Amount</u>
Dale Juhl, spouse of County Supervisor Beverly Juhl, independent contractor	Driver	\$ 166
Jim Anderson, spouse of employee Colleen Anderson, independent contractor	Snow removal	\$ 440

In accordance with Chapter 331.342(10) of the Code of Iowa, the transactions do not appear to represent a conflict of interest since total transactions with each individual were less than \$1,500 during the fiscal year.

II-E-12 Bond Coverage - Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.

II-F-12 Board Minutes - No transactions were found that we believe should have been approved in the Board minutes but were not. However, we noted one instance where the minutes did not document when a closed session was completed and one instance where the vote of each board member was not documented in the minutes as required by Chapter 21.3 of the Code of Iowa. There were also several instances in the minutes of a motion and a second, but the final vote was not documented. We also noted the claims published for one month appeared to be duplicated and published again the next month.

Recommendation - We recommend that the minutes document the closed session completion and the vote of each board member. We also recommend that the minutes document the final vote for each motion.

Response - We will review the minutes and make every effort to ensure these items are documented in the future.

Conclusion - Response accepted.

EMMET COUNTY
SCHEDULE OF FINDINGS - Continued
FOR THE YEAR ENDED JUNE 30, 2012

Part II: Other Findings Related to Required Statutory Reporting - Continued

- II-G-12 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County's investment policy were noted.
- II-H-12 Resource Enhancement and Protection Certification - The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- II-I-12 County Extension Office - The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in the government-wide financial statements.

Disbursements during the year ended June 30, 2012 for the County Extension Office did not exceed the amount budgeted.